the incentives for local governments to find less capital-intensive and less costly alternatives for controlling water pollution.

Opponents of such cuts argue that states and localities would find it more difficult to meet the federal treatment deadlines without continued federal contributions because repayments to the SRFs would be insufficient to fund new projects and states would be unable to shoulder the additional cost of decreased contributions to the SRFs. For example, EPA estimates that additional treatment facilities and upgrades--at a cost of $127 billion--would have to be built over the next two decades for states to meet the current goals set by the CWA. Some people who oppose eliminating federal grants maintain that cutting federal funds would increase the burden of unfunded mandates on state and local governments.

DOM-13 DE-EMPHASIZE PERMANENCE IN SUPERFUND CLEANUPS; EMPHASIZE LAND USE IN CHOOSING CLEANUP LEVELS

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
	From the 1995 Funding Level					
Budget Authority	150	150	150	150	150	750
Outlays	38	90	120	135	143	526
	From the 1995 Funding Level Adjusted for Inflation					
Budget Authority	155	167	173	179	186	860
Outlays	39	96	133	154	168	590

Estimates of the size of the nation's hazardous waste problem and of the resources required to resolve it have grown substantially since the Superfund program was established in 1980. The Environmental Protection Agency (EPA) expects to spend a total of $27.3 billion on cleaning up the first 1,248 sites on the National Priorities List (NPL), including $13.3 billion in 1995 and beyond. Substantial related expenditures will be required by the Energy and Defense Departments and by other agencies responsible for federally owned hazardous waste sites. Moreover, new sites continue to be added to the NPL. A Congressional Budget Office (CBO) study, *The Total Costs of Cleaning Up Nonfederal Superfund Sites* (January 1994), estimated that EPA's future Superfund costs may be between $35 billion and $130 billion, depending on the ultimate number of nonfederal NPL sites.

One way to reduce these large costs is to change the standards and methods used to protect health and the environment at Superfund sites. Less stringent cleanup standards could be chosen when they were consistent with the expected use of the land in the future, and the statutory preference for permanent treatment technologies could be relaxed to allow more use of containment methods, such as caps, slurry walls, and surface water diversion. An unpublished EPA analysis estimated that a set of such changes proposed by the Administration in 1994 would reduce annual cleanup costs in the Superfund budget by $156 million, or 19 percent. That figure is consistent with a range of savings of $101 million to $162 million calculated independently by the Office of Management and Budget. An earlier study conducted at the University of Tennessee argued that a judicious shift toward containment methods and institutional controls, such as deed and access restrictions, could reduce remediation costs by 40 percent without sacrificing environmental protection.

Based on the EPA analysis, CBO estimates that changes in cleanup standards like those proposed last year could reduce outlays for Superfund cleanups by $526 million over the 1996-2000 period measured from the 1995 funding level, or $590 million measured from the 1995 level adjusted for inflation. To realize those savings, budget authority for the Superfund program would have to be cut in the annual appropriation process. (Total savings could be somewhat greater if the Congress also cut budget authority for Superfund's enforcement activities, on the grounds that the private parties legally responsible for cleanup would have less incentive to contest their liabilities. Potentially large additional savings could result from cutting appropriations for related cleanup programs of the Departments of Energy and Defense.) Alternatively, the Congress could choose to maintain appropriations at 1995 or 1995-plus-inflation levels to increase the number of sites undergoing cleanup at one time (which would push the deficit savings off into the future). Another approach would be to reduce the dedicated Superfund taxes, thereby sharing some or all of the potential deficit savings with private-sector taxpayers.

Proponents of this option argue that it is wasteful to spend more on Superfund cleanups than is necessary to protect health and the environment and that the use of more permanent remedies (such as incineration, bioremediation, and vitrification) can be deferred until land-use needs are clearer and treatment technologies are better developed. Opponents argue that the option may not provide as much protection as supporters claim and that invoking it would be unfair to local communities (which would bear the disruptive effects of the land-use restrictions) and to future generations (which would bear any costs of replacing interim cleanups with more permanent measures). Some opponents also assert that the lion's share of cost savings from any significant reduction in remediation requirements should take the form of cuts in the taxes that provide the primary financing for the Superfund trust account. Modifying the proposal in that way would substantially reduce the net benefit to the federal budget.

DOM-14 IMPOSE A FIVE-YEAR MORATORIUM ON LAND PURCHASES BY THE DEPARTMENTS OF AGRICULTURE AND THE INTERIOR

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
	From the 1995 Funding Level					
Budget Authority	235	235	235	235	235	1,175
Outlays	78	163	219	235	235	930
	From the 1995 Funding Level Adjusted for Inflation					
Budget Authority	243	252	261	270	280	1,306
Outlays	81	171	235	260	270	1,017

The Departments of Agriculture and the Interior currently spend about $200 million per year for land that generally is used to create or expand designated recreation and conservation areas. (Such areas include national parks, national forests, wilderness areas, and national wildlife refuges.) Purchases are made directly by the federal government or through grants to states and localities; participating state or local governments match the grants dollar for dollar. Placing a five-year moratorium on future appropriations for land purchases and state grants by these departments would save $78 million in 1996 and $930 million between 1996 and 2000 measured against the 1995 funding level, and $81 million in 1996 and $1.02 billion between 1996 and 2000 measured against the 1995 level adjusted for inflation. The option would allow agencies to use unobligated funds for emergency acquisition of important tracts that became available on short notice, for compensation to "inholders"--landholders whose property lies wholly within the boundaries of an area set aside for public purposes (for example, a national park)--and for ongoing administrative expenses.

Most federal lands are managed by the National Park Service, the Forest Service, or the Bureau of Land Management. In many instances, those agencies find it difficult to maintain and finance operations on their existing landholdings. Proponents of this proposal argue that land management agencies should improve their stewardship of the lands they already own before being faced with additional management responsibilities. Some argue further that, given these agencies' limited operating funds, environmental objectives such as habitat protection and access to recreation would be best met by improving management in fewer areas rather than providing minimal management over a larger number.

Another argument made in favor of this proposal is that the federal government already owns enough land. Currently, 650 million acres (approximately 30 percent of the land nationwide) belong to the government. The sentiment that that amount is sufficient is particularly strong in the western United States, where nearly half of the land area of 11 states is under federal ownership.

Opponents argue that future land purchases are necessary to achieve ecosystem management objectives as well as to fulfill existing obligations for national parks. Much of the land targeted by the Congress for new and expanded federal reserves is privately held; its acquisition will require purchases. Furthermore, encroaching urban development and related activities that originate outside the boundaries of national parks and other federal landholdings may be damaging resources inside the parks. Land acquisition is an important tool for mitigating that problem. Acquisitions that consolidate landholdings may also help to improve the efficiency of public land management.

DOM-15 REDUCE FEDERAL SUPPORT FOR AGRICULTURAL RESEARCH AND EXTENSION ACTIVITIES

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
			From the 1995 Funding Level			
Budget Authority	172	172	172	172	172	860
Outlays	107	153	168	170	172	770
			From the 1995 Funding Level Adjusted for Inflation			
Budget Authority	178	184	191	198	206	957
Outlays	111	162	184	193	202	852

The Department of Agriculture conducts and supports agricultural research and education. In particular, the Agricultural Research Service (ARS), the department's internal research arm, operates at locations throughout the country; its research focuses on maintaining and increasing the productivity of the nation's land and water resources, improving the quality of agricultural products and finding new uses for them, and improving human health and nutrition. The newly created Cooperative State Research, Education, and Extension Service (CSREES) has been assigned responsibility for all cooperative state and other research programs previously performed by the Cooperative State Research Service and for all cooperative education and extension programs previously performed by the Extension Service. (Traditionally, the Cooperative State Research Service has supported agricultural research at land-grant universities and other state institutions. The Extension Service has introduced farmers to new technology and educated low-income families about good nutrition; it has also provided some services to urban residents.) The Economic Research Service (ERS) conducts and supports agricultural economic and other social science research, outlook forecasting, policy analysis, and the development of indicators related to U.S. and international agriculture, food, natural resources, and rural America.

The 1995 appropriations for these three agencies total $1.7 billion. Reducing funding levels by 10 percent would save $770 million in outlays over the 1996-2000 period measured from the 1995 funding level and $852 million measured from the 1995 level adjusted for inflation.

Research and grants provided by the ARS, CSREES, and ERS may, in some cases, be replacing funding from the private sector. If federal funding was eliminated in those cases, the private sector would be forced to finance more of its own research. Moreover, federal funding for some extension activities under the CSREES could be reduced without undercutting its basic services to farmers. For example, funding for a Nutrition Education Initiative, the Nutrition and Family Education program, and Youth at Risk programs amounted to $76 million under the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for 1995.

Research and extension activities have long played important roles in developing an efficient farm sector--a reduction in federal funding could compromise the sector's development in the future and its competitiveness in world markets. If the burden of funding was transferred to the private sector, agricultural research, which helps provide U.S. consumers with an abundant, diverse, and relatively inexpensive food supply, could decline. Moreover, some federal grants are used to improve human, animal, and plant health by funding research that promotes better nutrition or more environmentally sound farming practices. If federal funding was cut back, the direct budgetary savings would be substantial, but the public could bear some of the cost in higher prices, forgone innovations, or environmental degradation.

DOM-16 REDUCE DEPARTMENT OF AGRICULTURE SPENDING FOR EXPORT MARKETING AND INTERNATIONAL ACTIVITIES

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
From the 1995 Funding Level						
Budget Authority	22	22	22	22	22	110
Outlays	14	20	22	22	22	100
From the 1995 Funding Level Adjusted for Inflation						
Budget Authority	23	24	25	26	27	125
Outlays	14	22	24	25	26	111

The Department of Agriculture runs many programs to promote exports and international activities through the Foreign Agriculture Service (FAS). FAS develops foreign markets by jointly funding--with U.S. trade and commodity organizations called "co-operators"--overseas advertising campaigns, trade show exhibits, and promotional materials. FAS also collaborates on a variety of other ventures, one of which provides training to foreign nationals with the objective of improving commercial relationships that will benefit U.S. agriculture. Eliminating funding for these programs would reduce outlays by $100 million over the 1996-2000 period measured from the 1995 funding level and $111 million measured from the 1995 level adjusted for inflation.

Although the cooperator program has served a useful purpose, it may be ready to revert to private enterprise, with no financial assistance from FAS. The program has tended to promote basic commodities, such as grains, oilseeds, and cotton. It is uncertain how much return in terms of market development the cooperator program is generating. In addition, private, brand-name advertising is sponsored in this program, and many people object to spending taxpayer money on such activities.

The Cochran Fellowship Program affords a selected group of foreign midlevel managers a visit to the United States and training in agriculture and agribusiness. The direct benefits to U.S. agriculture are unknown, and although the program is popular among the recipients and their sponsors, it may be of marginal value to taxpayers.

However, some observers maintain that U.S. agriculture, processors, and traders would be hurt if federal funding for the cooperator and fellowship programs was eliminated. In particular, they might suffer from less business abroad, especially over the long run, if funding was cut.

DOM-17 REDUCE LOANS MADE BY THE FARMERS HOME ADMINISTRATION FOR FARM OWNERSHIP AND OPERATIONS

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
			From the 1995 Funding Level			
Budget Authority	57	57	57	57	57	285
Outlays	53	57	57	57	57	281
			From the 1995 Funding Level Adjusted for Inflation			
Budget Authority	57	59	62	64	66	308
Outlays	53	59	61	63	66	302

The Farmers Home Administration (FmHA) lends money directly to new farmers, or farmers of limited means who cannot obtain loans elsewhere, for purchasing land or materials to operate a farm. FmHA makes some of those loans at interest rates that approximate the Treasury's cost of borrowing money. More than 80 percent of the money spent on direct loans, however, is for loans made to so-called limited-resource borrowers at interest rates below that of the Treasury. Eliminating those below-cost loans would save the federal government $281 million in outlays over the 1996-2000 period measured from the 1995 funding level. Measured from the 1995 level adjusted for inflation, savings would be $302 million over the five-year period.

In recent years, the amount of direct loans made by FmHA has fallen while the volume of commercial loans guaranteed by FmHA and used for the same purposes has increased. FmHA's guaranteed loans typically cost the government less than direct loans; as a result, they allow more farmers to receive assistance from the same amount of funds. Eliminating the highly subsidized direct loans would accelerate the downward trend of funding yet still provide a core amount of low-interest direct loans (but at no less than the Treasury's low rates) for those farmers who were unable to secure guaranteed loans from commercial lenders.

Proponents of eliminating the loans to limited-resource borrowers argue that there are too many farmers already and that the government should not be encouraging new farmers at a time when excess farm production triggers spending for other agricultural benefits such as subsidies. Furthermore, the Congress and FmHA intended direct loans to be available to borrowers only temporarily--until those farmers could improve their operations and qualify for commercial credit. But evidence reported by the General Accounting Office suggests that the "graduation rate" of current borrowers from direct to guaranteed loans is low, in part because incentives are lacking to encourage borrowers of FmHA money to shift from below-cost loans to guaranteed loans. One way to promote that move is to lessen the availability of direct loans.

Opponents of this option are concerned about the need to provide credit to beginning farmers. Funds for buying a farm or for expenses to operate a farm are often unavailable from commercial sources--particularly for young farmers. The rising median age of farmers and the growing cost of acquiring a farm of an economical size give highest priority, in the view of some people, to assisting the next generation of farmers.

DOM-18 END SMALL BUSINESS ADMINISTRATION LOANS AND LOAN GUARANTEES

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
			End All Credit Programs			
From the 1995 Funding Level						
Budget Authority	693	693	693	693	693	3,465
Outlays	445	638	668	668	668	3,087
From the 1995 Funding Level Adjusted for Inflation						
Budget Authority	717	742	768	796	824	3,847
Outlays	476	700	757	784	812	3,529
			Keep Minority and Disaster Programs			
From the 1995 Funding Level						
Budget Authority	431	431	431	431	431	2,155
Outlays	290	418	431	431	431	2,001
From the 1995 Funding Level Adjusted for Inflation						
Budget Authority	441	457	474	490	508	2,370
Outlays	296	438	468	484	502	2,188

The Small Business Administration (SBA) provides both direct loans and loan guarantees to qualified small businesses. The SBA's lending objectives are to promote business development generally, aid economically disadvantaged groups, and assist small businesses and homeowners in recovering from disasters. Eliminating all SBA loan and loan guarantee programs would reduce outlays by $3.1 billion over the 1996-2000 period measured against the 1995 funding level and by $3.5 billion relative to the 1995 level adjusted for inflation. An alternative to eliminating all loans would be to retain only those that provide assistance to minorities and disaster victims. Continuation of those programs could be justified as aid to the socially or economically disadvantaged because of factors beyond their control. Following that course could reduce SBA outlays by $2.0 billion over the 1996-2000 period measured against the 1995 funding level and by $2.2 billion relative to the 1995 level adjusted for inflation.

Under the loan guarantee program, the federal government guarantees 90 percent of the principal for business loans up to $155,000 and between 70 percent and 85 percent of the principal for larger ones. The interest rate on guaranteed loans is about 2.5 percentage points above the prime rate; in addition, the SBA guarantee has a charge equal to 2 percent of the amount guaranteed. In 1994, the SBA guaranteed 38,407 loans totaling more than $7 billion; the SBA's share of the guaranteed loans was roughly $6 billion. Holders of 2,821 guaranteed loans defaulted in 1994, and the loans were subsequently purchased by the SBA. The SBA's share of the outstanding balances of those loans exceeded $497 million.

Under the direct loan program, the SBA provides loans to businesses located in high-unemployment or low-income areas and to businesses owned by minorities, handicapped individuals, and Vietnam veterans or disabled veterans. It also offers direct loans to homeowners recovering from natural disasters. Direct loans generally do not exceed $150,000, although some disaster loans run as high as $500,000. In 1994, the SBA approved 116,281 direct loans totaling $3.8 billion, bringing the total direct loan portfolio to more than $6.1 billion. In both the direct loan and loan guarantee programs, the SBA extends credit for up to 25 years--a significantly longer term than would otherwise be available to small businesses.

SBA assistance is favored by those who view it as a way of aiding small businesses, which, they argue, generally create more jobs, improve technology more rapidly, and satisfy some markets more efficiently than do large firms. When banks and other traditional sources of loans to small businesses tighten credit standards or become more conservative in their lending practices, SBA assistance can help to fill a financing gap.

But others claim that SBA assistance tends to flow to the firms least likely to create stable employment, improve technology, or enhance national productivity. SBA loans and loan guarantees go primarily to businesses that have been rejected by conventional providers of financing. Perhaps as a result, they have a high default rate. It can also be argued that financial markets are now more efficient and less susceptible to the types of market failure that justified the SBA program when it first began.

DOM-19 ELIMINATE THE SMALL BUSINESS ADMINISTRATION'S TREE PLANTING PROGRAM

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
			From the 1995 Funding Level			
Budget Authority	15	15	15	15	15	75
Outlays	15	15	15	15	15	75
			From the 1995 Funding Level Adjusted for Inflation			
Budget Authority	16	16	17	17	18	84
Outlays	16	16	17	17	18	84

The tree planting program within the Small Business Administration (SBA) provides federal funds for contracts between states and small businesses to plant trees on public lands controlled by state or local governments. The federal government will fund up to 75 percent of the cost of such contracts. Eliminating SBA's tree planting program would save $15 million in 1996 and $75 million from 1996 through 2000 measured against the 1995 funding level. Relative to the 1995 level adjusted for inflation, this option would save $16 million in 1996 and $84 million from 1996 through 2000.

The tree planting program within SBA was created by authorization language in the 1991 appropriation act for the Commerce Department. The program is intended to support small businesses. Most of the contracts awarded through this program are for planting trees along roadsides, in parks, and on the grounds of public facilities such as schools. Only a small part of the funding is used for reforestation.

Half of the federal funds for the program are allocated to states on a per capita basis. More populous states thus tend to receive more funds for tree planting than less populous ones. In allocating the remaining funds, the SBA gives priority to states that are willing to pay more than 25 percent of the cost of the contract. In 1993, all of the 50 states and the District of Columbia were awarded money through this program. In the majority of cases, the states then made subgrants to local governments.

Calls have come for the elimination of the program. For example, the President's 1993 and 1995 budgets contained such proposals. One argument that supporters of elimination make is that tree planting on land owned by state and local governments should be funded by those governments and not at the federal level.

Proponents of retaining the program point out that since SBA's national tree planting program is restricted to public land controlled by state and local governments, it does not duplicate similar programs of other federal agencies. (Tree planting funded by the Forest Service within the Department of Agriculture is generally for the reforestation or improvement of federal and private lands.) Supporters also contend that eliminating the SBA program would reduce the incentive for state and local governments to plant trees on the public lands under their control. In addition, it would cut a source of federal support for small businesses.

DOM-20 REDUCE THE BUDGET OF THE EXPORT ADMINISTRATION

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
From the 1995 Funding Level						
Budget Authority	10	10	10	10	10	50
Outlays	8	9	10	10	10	47
From the 1995 Funding Level Adjusted for Inflation						
Budget Authority	10	11	11	11	12	55
Outlays	9	10	11	11	12	53

The Export Administration (EA) of the Department of Commerce enforces U.S. export laws to promote national security and foreign policy objectives. Its activities include ensuring availability of industrial resources for U.S. defense, licensing exports, and detecting and preventing foreign distribution of U.S. goods and technical data that are controlled for reasons of national security or foreign policy. Reducing the budget of the Export Administration by 25 percent would save $8 million in outlays in 1996 and $47 million over five years measured from the 1995 spending level. It would save $9 million in 1996 and $53 million over five years measured from the 1995 spending level adjusted for inflation.

The enforcement activities of the EA reduce U.S. exports and thereby create economic inefficiencies that reduce U.S. gross national product. To the extent that they keep defense-related goods and technology out of the hands of potential adversaries, however, they promote U.S. security and foreign policy. The EA's activities to ensure availability of industrial resources (such as restricting foreign ownership of U.S. firms that are deemed to be defense-related) also have their economic efficiency costs and corresponding national security and foreign policy benefits.

With the demise of the former Soviet Union, many people believe that restrictions on exports can safely be eased, but agreement is lacking on how much. The members of the Coordinating Committee on Multilateral Export Controls (COCOM) agreed to disband the group, and negotiations have proceeded on a more lenient regime to replace it. Those circumstances would seem to indicate that the budget for the EA could safely be cut. Concern remains, however, about the possible development of weapons of mass destruction by rogue governments in the developing world. That concern has been highlighted by the ongoing debate over the proper U.S. policy with regard to North Korea's nuclear program and the post-Persian Gulf War disclosures of Iraq's progress in developing and obtaining the technology and materials for nuclear, chemical, and biological weapons.

The Congress has been wrestling with the issue of updating U.S. export control law for five years. Funding levels for the EA and the resolution of that issue are inextricably linked. The EA's net budget authority for 1994 was reduced from its 1993 level by 15.3 percent, although outlays declined by only 6.3 percent because the agency carried over an unobligated balance from 1993. For 1995, the Administration has asked that budget authority be restored to slightly above the 1993 level. The 25 percent cut discussed above is an arbitrary figure chosen to illustrate the order of magnitude of budgetary savings that could be involved. The Congressional Budget Office has not judged whether, in fact, any of the updates of the law proposed over the past five years would make a 25 percent cut feasible.

DOM-21 ELIMINATE THE U.S. TRAVEL AND TOURISM ADMINISTRATION AND THE TRADE PROMOTION ACTIVITIES OF THE INTERNATIONAL TRADE ADMINISTRATION, OR CHARGE THE BENEFICIARIES

	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
From the 1995 Funding Level						
Budget Authority	232	232	232	232	232	1,160
Outlays	163	209	232	232	232	1,068
From the 1995 Funding Level Adjusted for Inflation						
Budget Authority	242	251	261	271	281	1,306
Outlays	170	225	257	267	277	1,196

The United States Travel and Tourism Administration (USTTA) of the Department of Commerce promotes the United States as a tourist destination for foreign travelers. The International Trade Administration (ITA), also a part of the Commerce Department, has four direct program activities: the Import Administration, which investigates antidumping and countervailing-duty cases; the trade development program, which assesses the competitiveness of various U.S. industries and runs various export promotion programs; the international economic policy program, which develops policy, provides marketing services, and identifies and develops remedies for long-range trade and investment problems; and the U.S. and foreign commercial services, which counsel U.S. businesses on exporting. The latter three activities also help fight foreign barriers to U.S. exports. That effort, and perhaps the effort against foreign subsidies, may be necessary to maintain public support for free-trade policies, and in some cases they can be defended on economic grounds. The ITA's export promotion, marketing, and counseling could be eliminated, however, or the beneficiaries could be charged fees to pay more of the costs. The same holds true for the USTTA's activities.

Eliminating or charging firms for the cost of those activities would reduce outlays or increase receipts by $163 million in 1996 and by $1.1 billion over five years measured from the 1995 funding and receipt levels. It would reduce outlays or increase receipts by $170 million in 1996 and by $1.2 billion over five years measured from the 1995 levels adjusted for inflation.

One might argue that such activities are best left to the firms and industries involved rather than to the ITA and USTTA. Alternatively, one could argue that there may be some economies of scale to these activities, especially for small firms and less popular tourist destinations. If so, having one entity (the federal government) counsel exporters on foreign legal and other requirements, disseminate knowledge of foreign markets, and promote U.S. products and tourist destinations abroad could make sense. In that case, net federal spending could be reduced by charging the beneficiaries their full cost.

To the extent that the beneficiaries are not charged the full cost, the ITA's and USTTA's activities effectively subsidize the industries involved. Those implicit subsidies are an inefficient means of helping the industries because they are partially dissipated to foreigners in the form of lower prices for U.S. exports and for lodging and other tourist expenses. Because the current-account balance is determined by total saving and investment in the U.S. economy, over which the ITA and USTTA have no influence, the two agencies' activities do not improve the current-account balance. As a result of changes they cause in exchange rates and other variables, all increases in exports and tourist expenditures resulting from the ITA's and USTTA's activities are completely offset by some mix of reduced exports of other industries and increased imports. Thus, other U.S. firms are hurt by the export and tourism promotion activities of these agencies.

DOM-22 ELIMINATE THE ADVANCED TECHNOLOGY PROGRAM

	1996	1997	1998	1999	2000	Cumulative Five-Year Savings
	Annual Savings (Millions of dollars)					
	From the 1995 Funding Level					
Budget Authority	431	431	431	431	431	2,155
Outlays	77	207	358	431	431	1,504
	From the 1995 Funding Level Adjusted for Inflation					
Budget Authority	445	460	477	493	511	2,386
Outlays	80	216	380	469	485	1,630

Eliminating the Advanced Technology Program (ATP) of the Department of Commerce would save $1.5 billion in outlays over the next five years measured against the 1995 funding level and $1.6 billion relative to the 1995 level adjusted for inflation. An alternative to eliminating the program is to return its funding to the 1993 level; that option would save $1.3 billion in outlays over the 1996-2000 period relative to the 1995 funding level and $1.4 billion relative to the 1995 level adjusted for inflation.

The objective of the ATP is to further the competitiveness of U.S. industry by helping convert discoveries in basic research more quickly into technological advancements with commercial potential. The Omnibus Trade and Competitiveness Act of 1988 established the ATP within the Commerce Department's National Institute of Standards and Technology. The program awards research and development (R&D) grants on the basis of merit to individual companies, independent research institutes, and joint ventures. The grants support research in generic technologies that have applications to a broad range of products, as well as precompetitive research (preceding product development).

The ATP's grants are limited to $2 million when awarded to a single firm, but they have no limit when awarded to a joint venture. Participating firms and research organizations pay more than half of the R&D costs of each project, which acts as a check on a project's commercial viability. The program received its first appropriation $10 million, in 1990; by 1994, its appropriation had grown to $200 million. As of the end of 1993, the ATP had selected 89 projects and committed up to $241 million in funding. The amount of funds committed more than doubled in 1994 as an additional $307 million was awarded to 88 projects. It is too early to determine the commercial success of projects funded by the ATP because even after a project has ended, more research is required for product development and commercialization. According to a report by the General Accounting Office, as of September 1993, only four projects had ended (the ATP no longer funds them), and each was deemed successful in that the technology examined was found to be feasible. However, two of those projects are experiencing some difficulties with commercialization.

Opponents of the program argue that the near tripling of its funding between 1993 and 1994 (from $68 million to $200 million) could have lowered the average quality of winning R&D projects. Moreover, the Administration has proposed further dramatic increases over the next five years. If the applicant pool does not increase as dramatically as the program's funding, the award process is likely to be less competitive. An alternative that is sometimes mentioned is to return the funding of the program to its lower, 1993 level until the commercial success of some completed projects can be evaluated.